

**OAO SOVCOMFLOT
AND ITS SUBSIDIARY CORPORATIONS**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013

OAO Sovcomflot

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Condensed Consolidated Income Statement
For the period ended 30 September 2013

Note	01/01/2013- 30/09/2013 \$'000	01/01/2012- 30/09/2012 \$'000	01/07/2013- 30/09/2013 \$'000	01/07/2012- 30/09/2012 \$'000	01/01/2012- 31/12/2012 \$'000
		Restated-Note 19		Restated-Note 19	Restated-Note 19
Freight and Hire revenue	960,387	1,046,444	331,984	314,013	1,352,983
Voyage expenses and commissions	(303,179)	(378,623)	(95,137)	(111,976)	(493,608)
Time charter equivalent revenues	657,208	667,821	236,847	202,037	859,375
Direct operating expenses					
Vessels' running costs	244,660	239,371	82,817	80,858	320,794
Charter hire payments	39,348	26,323	25,838	6,809	32,369
	(284,008)	(265,694)	(108,655)	(87,667)	(353,163)
Profit on vessels' trading	373,200	402,127	128,192	114,370	506,212
Other operating expenses					
Depreciation, amortisation and impairment	239,064	227,505	77,251	86,516	291,156
(Reversal) / allowance for credit losses	(266)	57	(177)	(213)	677
General and administrative expenses	75,969	65,165	24,334	20,341	100,075
Total other operating expenses	314,767	292,727	101,408	106,644	391,908
Profit from vessels' operations	58,433	109,400	26,784	7,726	114,304
Gain / (loss) on sale of assets	1,026	(168)	(234)	(100)	(6,722)
(Loss) / gain on disposal of investments	-	(39)	-	(63)	60
Other operating revenues	25,250	77,733	9,016	29,750	96,933
Other operating expenses	(18,315)	(66,958)	(5,345)	(25,607)	(79,656)
(Increase) in / release of provision	(382)	(114)	-	24	32
Share of profits in associated undertakings	79	209	27	4,433	16,620
Share of profits in joint ventures	6,995	2,717	1,809	208	3,565
Reversal / (allowance) for credit losses on other operating activities	3,778	-	1,476	-	(15,808)
Operating profit	76,864	122,780	33,533	16,371	129,328
Other (expenses) / income					
Interest expense	(99,346)	(88,956)	(33,698)	(30,205)	(118,855)
Financing costs	(2,072)	(2,136)	(677)	(602)	(2,914)
Interest income	14,603	17,963	4,447	5,609	23,042
Other non-operating income	1,007	1,081	517	91	7,796
Other non-operating expenses	(7,026)	(8,595)	(1,199)	(2,908)	(8,121)
Gain / (loss) on ineffective hedging instruments	1,681	(90)	157	(52)	(155)
Gain on derivative financial instruments held for trading	11,681	9,072	3,690	3,002	13,479
Foreign exchange differences	(3,464)	(975)	793	1,237	(2,406)
Net other expenses	(82,936)	(72,636)	(25,970)	(23,828)	(88,134)
(Loss) / profit before income taxes	(6,072)	50,144	7,563	(7,457)	41,194
Income taxes	(2,558)	(7,697)	(1,721)	(1,047)	(8,293)
(Loss) / profit for the period	(8,630)	42,447	5,842	(8,504)	32,901
(Loss) / profit attributable to:					
Owners of the parent	(8,720)	42,435	5,681	(7,300)	32,377
Non-controlling interest	90	12	161	(1,204)	524
	(8,630)	42,447	5,842	(8,504)	32,901
Earnings per share					
Basic earnings per share for the period attributable to equity holders of the parent	(\$0.004)	\$0.022	\$0.003	(\$0.004)	\$0.016

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Comprehensive Income
For the period ended 30 September 2013

	Note	01/01/2013- 30/09/2013 \$'000	01/01/2012- 30/09/2012 \$'000	01/07/2013- 30/09/2013 \$'000	01/07/2012- 30/09/2012 \$'000	01/01/2012- 31/12/2012 \$'000
			Restated-Note 19		Restated-Note 19	Restated-Note 19
(Loss) / profit for the period		<u>(8,630)</u>	<u>42,447</u>	<u>5,842</u>	<u>(8,504)</u>	<u>32,901</u>
Other comprehensive income:						
Share of associates' other comprehensive income		(13)	(570)	3	(1,062)	(767)
Share of joint ventures' other comprehensive income	5	18,598	(4,635)	1,574	(1,556)	(1,445)
Exchange differences on translation of foreign operations		(2,883)	5,198	2,966	5,822	6,351
Derivative financial instruments recycled and debited to the income statement	13	15,208	14,798	4,183	4,042	18,629
Fair value movement of derivative financial instruments credited/(debited) to other comprehensive income	13	14,656	(16,840)	(3,294)	(5,101)	(15,788)
Other comprehensive income for the period, net of tax to be reclassified to profit or loss in subsequent periods		<u>45,566</u>	<u>(2,049)</u>	<u>5,432</u>	<u>2,145</u>	<u>6,980</u>
Actuarial gains on retirement benefit obligations		211	301	137	214	604
Other comprehensive income, net of tax not to be reclassified to profit or loss in subsequent periods		<u>211</u>	<u>301</u>	<u>137</u>	<u>214</u>	<u>604</u>
Total other comprehensive income for the period net of tax		<u>45,777</u>	<u>(1,748)</u>	<u>5,569</u>	<u>2,359</u>	<u>7,584</u>
Total comprehensive income for the period		<u>37,147</u>	<u>40,699</u>	<u>11,411</u>	<u>(6,145)</u>	<u>40,485</u>
Total comprehensive income attributable to:						
Owners of the parent		37,320	40,124	10,927	(5,520)	39,268
Non-controlling interest		(173)	575	484	(625)	1,217
		<u>37,147</u>	<u>40,699</u>	<u>11,411</u>	<u>(6,145)</u>	<u>40,485</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Financial Position – 30 September 2013

	Note	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
			Restated-Note 19	Restated-Note 19
Assets				
Non-current assets				
Fleet	3	5,180,264	4,976,921	5,047,029
Vessels under construction	4	304,127	489,836	447,321
Other fixed assets		75,014	71,001	73,556
Investment property		3,030	3,952	3,723
Other fixed assets under construction		40,762	16,130	23,254
Intangible assets		-	1,836	-
Investments in associates		1,153	1,145	1,187
Investments in joint ventures	5	77,234	67,842	67,799
Available-for-sale investments		1,012	1,381	1,380
Loans to joint ventures	5	75,335	64,169	69,517
Finance lease receivables	6	86,480	89,874	89,137
Derivative financial instruments	13	8,201	-	108
Trade and other receivables	7	9,339	14,932	9,621
Deferred tax assets		7,168	2,940	4,731
		<u>5,869,119</u>	<u>5,801,959</u>	<u>5,838,363</u>
Current assets				
Inventories		63,172	79,184	70,487
Loans to joint ventures	5	4,800	11,921	4,803
Trade and other receivables	7	215,196	260,557	213,656
Finance lease receivables	6	3,487	3,003	3,124
Current tax receivable		1,624	1,519	2,951
Cash and bank deposits	8	284,604	264,791	308,453
		<u>572,883</u>	<u>620,975</u>	<u>603,474</u>
Non-current assets held for sale	9	60,997	5,635	17,824
		<u>633,880</u>	<u>626,610</u>	<u>621,298</u>
Total assets		<u><u>6,502,999</u></u>	<u><u>6,428,569</u></u>	<u><u>6,459,661</u></u>
Equity and liabilities				
Capital and reserves				
Share capital		405,012	405,012	405,012
Reserves		2,573,373	2,546,030	2,545,174
Equity attributable to owners of the parent		<u>2,978,385</u>	<u>2,951,042</u>	<u>2,950,186</u>
Non-controlling interest		<u>157,086</u>	<u>158,227</u>	<u>158,869</u>
Total equity		<u><u>3,135,471</u></u>	<u><u>3,109,269</u></u>	<u><u>3,109,055</u></u>
Non-current liabilities				
Trade and other payables	10	21,246	39,941	33,455
Secured bank loans	11	1,733,738	1,541,560	1,685,813
Finance lease liabilities	12	195,569	204,268	202,141
Derivative financial instruments	13	47,509	77,520	71,808
Retirement benefit obligations		8,531	9,775	9,183
Other loans		797,967	797,469	797,593
Deferred tax liabilities		3,776	5,494	3,762
		<u>2,808,336</u>	<u>2,676,027</u>	<u>2,803,755</u>
Current liabilities				
Trade and other payables	10	259,459	232,267	206,997
Secured bank loans	11	260,745	342,245	276,394
Finance lease liabilities	12	8,699	19,838	19,547
Current tax payable		530	4,925	3,320
Derivative financial instruments	13	29,759	43,998	40,593
		<u>559,192</u>	<u>643,273</u>	<u>546,851</u>
Total equity and liabilities		<u><u>6,502,999</u></u>	<u><u>6,428,569</u></u>	<u><u>6,459,661</u></u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Changes in Equity
For the period ended 30 September 2013

	Share capital \$'000	Share premium \$'000	Reconstruction reserve \$'000	Hedging reserve \$'000	Currency reserve \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Non- controlling interest \$'000	Total \$'000
As at 1 January 2012	405,012	818,845	(834,490)	(142,442)	(4,852)	2,681,671	2,923,744	159,817	3,083,561
Profit for the period	-	-	-	-	-	42,435	42,435	12	42,447
Other comprehensive income	-	-	-	(6,677)	4,097	269	(2,311)	563	(1,748)
Total comprehensive income	-	-	-	(6,677)	4,097	42,704	40,124	575	40,699
Dividends (Note 15)	-	-	-	-	-	(12,826)	(12,826)	(2,165)	(14,991)
At 30 September 2012	405,012	818,845	(834,490)	(149,119)	(755)	2,711,549	2,951,042	158,227	3,109,269
Loss for the period	-	-	-	-	-	(10,058)	(10,058)	512	(9,546)
Other comprehensive income	-	-	-	8,073	859	270	9,202	130	9,332
Total comprehensive income	-	-	-	8,073	859	(9,788)	(856)	642	(214)
At 31 December 2012	405,012	818,845	(834,490)	(141,046)	104	2,701,761	2,950,186	158,869	3,109,055
Loss for the period	-	-	-	-	-	(8,720)	(8,720)	90	(8,630)
Other comprehensive income	-	-	-	48,462	(2,610)	188	46,040	(263)	45,777
Total comprehensive income	-	-	-	48,462	(2,610)	(8,532)	37,320	(173)	37,147
Dividends (Note 15)	-	-	-	-	-	(9,121)	(9,121)	(1,610)	(10,731)
At 30 September 2013	405,012	818,845	(834,490)	(92,584)	(2,506)	2,684,108	2,978,385	157,086	3,135,471

Notes

Hedging reserve: The hedging reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.
Currency reserve: The currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Condensed Consolidated Statement of Cash Flows
For the period ended 30 September 2013

	01/01/2013- 30/09/2013	01/01/2012- 30/09/2012	01/01/2012- 31/12/2012
Note	\$'000	\$'000	\$'000
		Restated-Note 19	Restated-Note 19
Operating Activities			
Cash received from freight and hire of vessels	955,597	1,045,864	1,376,398
Other cash receipts	31,437	40,886	58,546
Cash payments for voyage and running costs	(556,445)	(669,182)	(863,012)
Other cash payments	(75,020)	(96,681)	(148,572)
Cash generated from operations	355,569	320,887	423,360
Interest received	5,898	6,324	8,693
Income tax paid	(6,169)	(16,495)	(16,522)
Net cash inflow from operating activities	355,298	310,716	415,531
Investing Activities			
Acquisition of joint venture	5	-	(26,867)
Additional investment in joint venture	5	-	(2,600)
Expenditure on fleet	(6,977)	(1,893)	(2,933)
Expenditure on drydock	(34,711)	(21,810)	(23,460)
Expenditure on vessels under construction	(252,368)	(297,812)	(397,951)
Expenditure on assets held for sale	(3,794)	-	-
Interest capitalised	(9,580)	(9,928)	(13,310)
Expenditure on other fixed assets	(28,575)	(16,300)	(29,116)
Net loan advances to joint ventures	5	(5,406)	(8,106)
Proceeds from sale of vessels	39,544	9,800	17,174
Proceeds from sale of other fixed assets	1,744	359	7,747
Proceeds from disposal of investments	-	277	331
Capital element received on finance leases	2,943	721	1,495
Interest received on finance leases	13,275	6,052	10,765
Dividends received from joint ventures	5	50	938
Bank term deposits	8	-	932
Security deposits	8	10,400	-
Other receipts	39	132	133
Net cash outflow used in investing activities	(273,416)	(366,105)	(462,838)
Financing Activities			
Proceeds from borrowings	343,380	224,820	974,320
Repayment of borrowings	(308,040)	(160,614)	(824,523)
Financing costs	(5,611)	(3,137)	(12,564)
Repayment of finance lease liabilities	(17,615)	(7,149)	(9,633)
Restricted deposits	(100)	(3,260)	898
Funds in retention bank accounts	5	(3,512)	(331)
Interest paid on borrowings and other loans	(72,664)	(64,463)	(100,577)
Interest paid on finance leases	(10,499)	(11,462)	(15,176)
Dividends paid	(9,777)	(14,802)	(14,802)
Buy back of shares	-	(3,171)	(3,171)
Net cash outflow from financing activities	(84,438)	(43,569)	(5,271)
Decrease in Cash and Cash Equivalents	(2,556)	(98,958)	(52,578)
Cash and Cash Equivalents at 1 January	8	271,807	319,007
Reclassification to trade and other receivables	(13,480)	-	-
Net foreign exchange difference	(1,025)	3,650	5,378
Cash and Cash Equivalents at 30 September / 31 December	8	254,746	271,807

The accompanying notes are an integral part of the condensed consolidated financial statements.

OAO Sovcomflot**Notes to the Condensed Consolidated Financial Statements – 30 September 2013****1. Organisation, Basis of Preparation and Accounting Policies**

OAO Sovcomflot ("Sovcomflot" or "the Company") is an open joint stock company organised under the laws of the Russian Federation and was registered in Russia on 18 December 1995, as the successor undertaking to AKP Sovcomflot, in which the Russian Federation holds 100% of the issued shares.

The Company's registered office address is 3A, Moika River Embankment, Saint Petersburg 191186, Russian Federation and its head office is located at 6 Gasheka Street, Moscow 125047, Russian Federation.

The Company, through its subsidiaries (the "Group"), is engaged in ship owning and operating on a world-wide basis with a fleet of 137 vessels at the period end, comprising 122 tankers, 2 chartered in seismic vessels, 6 gas carriers, 3 bulk carrier and 4 ice breaking supply vessels. For major changes in the period in relation to the fleet see also Notes 3 and 4. In addition the Group owns 9 escort tug vessels which have been chartered out on bareboat charter to an associate undertaking (see Note 6).

Statement of compliance

The condensed consolidated financial statements are unaudited and have been prepared in accordance with International Financial Reporting Standard (IFRS) - IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2012.

During the period the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2013. The adoption of the Standards and Interpretations issued by the IASB has led to changes in the Group's accounting policy on investments in joint arrangements and the policy on retirement benefit costs following the adoption of IFRS 11 "Joint Arrangements" and IAS 19 revised ("Employee Benefits"). These changes have been accounted for in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Note 19).

Seasonality of Operations

Although some of the Group's operations may sometimes be affected by seasonal factors such as general weather conditions, management does not feel this has a material effect on the performance of the Group when comparing the interim results to those achieved in the last quarter of the year.

Changes in estimates

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions. As a result of the adoption of IFRS 11 "Joint Arrangements", judgement is exercised by management on the classification of investments as joint ventures or joint operations. All other critical accounting judgements and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2012.

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Notes to the Condensed Consolidated Financial Statements – 30 September 2013
(Continued)

2. Segment Information

For management purposes, the Group is organised into business units based on the main types of activities and has five reportable operating segments. Management considers the global market as one geographical segment and does not therefore analyse geographical segment information on revenue from customers or non-current segment assets.

Period ended 30 September 2013

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	460,459	258,580	34,348	152,953	54,047	960,387
Voyage expenses and commissions	(200,432)	(94,138)	(607)	(647)	(7,355)	(303,179)
Time charter equivalent revenues	260,027	164,442	33,741	152,306	46,692	657,208
Direct operating expenses						
Vessels' running costs	(105,514)	(89,162)	(8,042)	(30,511)	(11,431)	(244,660)
Charter hire payments	-	-	-	-	(39,348)	(39,348)
Profit / (loss) on vessels' trading	154,513	75,280	25,699	121,795	(4,087)	373,200
Vessels' depreciation	(80,366)	(43,067)	(4,653)	(40,021)	(2,711)	(170,818)
Vessels' drydock cost amortisation	(12,304)	(8,883)	(2,219)	(3,838)	(926)	(28,170)
Vessels' impairment provision	-	(35,092)	-	-	-	(35,092)
	<u>61,843</u>	<u>(11,762)</u>	<u>18,827</u>	<u>77,936</u>	<u>(7,724)</u>	<u>139,120</u>
Unallocated						
Other operating expenses						(80,687)
Profit from vessels' operations						58,433
Other expenses						(64,505)
Loss before income taxes						<u>(6,072)</u>
Carrying amount of fleet in operation	<u>2,442,007</u>	<u>1,182,127</u>	<u>209,529</u>	<u>1,250,211</u>	<u>96,390</u>	<u>5,180,264</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>60,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,997</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,487</u>	<u>2,347</u>	<u>180</u>	<u>1,194</u>	<u>225</u>	<u>11,433</u>

Period ended 30 September 2012

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	524,070	288,714	31,842	151,239	50,579	1,046,444
Voyage expenses and commissions	(241,026)	(120,812)	(298)	(8,990)	(7,497)	(378,623)
Time charter equivalent revenues	283,044	167,902	31,544	142,249	43,082	667,821
Direct operating expenses						
Vessels' running costs	(103,479)	(92,493)	(10,906)	(26,399)	(6,094)	(239,371)
Charter hire payments	-	(5,729)	-	-	(20,594)	(26,323)
Profit on vessels' trading	179,565	69,680	20,638	115,850	16,394	402,127
Vessels' depreciation	(77,757)	(45,536)	(4,320)	(36,186)	(687)	(164,486)
Vessels' drydock cost amortisation	(11,196)	(7,798)	(1,816)	(3,434)	(664)	(24,908)
Vessels' impairment provision	-	(28,351)	-	-	-	(28,351)
Intangible assets' amortisation	-	-	(6,065)	-	-	(6,065)
	<u>90,612</u>	<u>(12,005)</u>	<u>8,437</u>	<u>76,230</u>	<u>15,043</u>	<u>178,317</u>
Unallocated						
Other operating expenses						(68,917)
Profit from vessels' operations						109,400
Other expenses						(59,256)
Profit before income taxes						<u>50,144</u>
Carrying amount of fleet in operation	<u>2,547,115</u>	<u>1,209,916</u>	<u>110,547</u>	<u>1,085,443</u>	<u>16,501</u>	<u>4,969,522</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>13,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,034</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,487</u>	<u>2,243</u>	<u>134</u>	<u>1,186</u>	<u>73</u>	<u>11,123</u>

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Notes to the Condensed Consolidated Financial Statements – 30 September 2013
(Continued)

2. Segment Information (Continued)

Period ended 31 December 2012

	Crude Oil \$'000	Oil Product \$'000	Gas \$'000	Offshore \$'000	Other \$'000	Total \$'000
Freight and hire revenue	675,281	381,950	43,848	196,454	55,450	1,352,983
Voyage expenses and commissions	(316,242)	(159,120)	(373)	(9,715)	(8,158)	(493,608)
Time charter equivalent revenues	359,039	222,830	43,475	186,739	47,292	859,375
Direct operating expenses						
Vessels' running costs	(138,534)	(123,457)	(14,243)	(35,044)	(9,516)	(320,794)
Charter hire payments	-	(5,729)	-	-	(26,640)	(32,369)
Profit on vessels' trading	220,505	93,644	29,232	151,695	11,136	506,212
Vessels' depreciation	(105,221)	(60,738)	(5,854)	(48,402)	(1,096)	(221,311)
Vessels' drydock cost amortisation	(15,137)	(10,439)	(2,380)	(4,778)	(915)	(33,649)
Vessels' impairment provision	-	(22,732)	-	-	-	(22,732)
Intangible assets' amortisation	-	-	(8,086)	-	-	(8,086)
	<u>100,147</u>	<u>(265)</u>	<u>12,912</u>	<u>98,515</u>	<u>9,125</u>	<u>220,434</u>
Unallocated						
Other operating expenses						(106,130)
Profit from vessels' operations						114,304
Other expenses						(73,110)
Profit before income taxes						<u>41,194</u>
Carrying amount of fleet in operation	<u>2,523,065</u>	<u>1,179,487</u>	<u>108,495</u>	<u>1,073,782</u>	<u>57,120</u>	<u>4,941,949</u>
Carrying amount of non-current assets held for sale	<u>-</u>	<u>17,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,824</u>
Deadweight tonnage of fleet used in operations ('000)	<u>7,487</u>	<u>2,257</u>	<u>134</u>	<u>1,186</u>	<u>148</u>	<u>11,212</u>

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3. Fleet

	Vessels \$'000	Drydock \$'000	Total Fleet \$'000
Cost			
At 1 January 2012	6,257,447	150,484	6,407,931
Expenditure in period	1,893	21,810	23,703
Transfer from vessels under construction (Note 4)	129,844	1,900	131,744
Transfer to non-current assets held for sale (Note 9)	(12,001)	(500)	(12,501)
Write-off of fully amortised drydock cost	-	(30,932)	(30,932)
At 30 September 2012	6,377,183	142,762	6,519,945
Expenditure in period	878	12,692	13,570
Transfer from vessels under construction (Note 4)	143,038	3,312	146,350
Transfer to non-current assets held for sale (Note 9)	(25,395)	(1,878)	(27,273)
Disposal in the period	(26,372)	(442)	(26,814)
Write-off of fully amortised drydock cost	-	(5,440)	(5,440)
At 31 December 2012	6,469,332	151,006	6,620,338
Expenditure in period	6,977	33,834	40,811
Transfer from vessels under construction (Note 4)	397,430	7,712	405,142
Transfer to non-current assets held for sale (Note 9)	(273,166)	(9,962)	(283,128)
Write-off of fully amortised drydock cost	-	(21,423)	(21,423)
At 30 September 2013	6,600,573	161,167	6,761,740
Depreciation and amortisation			
At 1 January 2012	1,286,838	76,239	1,363,077
Charge for the period	164,486	24,908	189,394
Impairment provision	28,351	-	28,351
Transfer to non-current assets held for sale (Note 9)	(6,783)	(83)	(6,866)
Write-off of fully amortised drydock cost	-	(30,932)	(30,932)
At 30 September 2012	1,472,892	70,132	1,543,024
Charge for the period	56,825	8,741	65,566
Reversal of impairment provision	(5,619)	-	(5,619)
Transfer to non-current assets held for sale (Note 9)	(14,089)	(995)	(15,084)
Eliminated on disposal	(8,860)	(278)	(9,138)
Write-off of fully amortised drydock cost	-	(5,440)	(5,440)
At 31 December 2012	1,501,149	72,160	1,573,309
Charge for the period	170,818	28,170	198,988
Impairment provision	29,182	-	29,182
Transfer to non-current assets held for sale (Note 9)	(192,024)	(6,556)	(198,580)
Write-off of fully amortised drydock cost	-	(21,423)	(21,423)
At 30 September 2013	1,509,125	72,351	1,581,476
Net book value			
At 30 September 2013	5,091,448	88,816	5,180,264
At 30 September 2012	4,904,291	72,630	4,976,921
At 31 December 2012	4,968,183	78,846	5,047,029
	30/09/2013	30/09/2012	31/12/2012
Market value (\$'000)	4,127,500	3,955,216	4,011,562
Current insured values (\$'000)	5,510,172	6,013,876	6,113,276
Total deadweight tonnage (dwt)	11,217,701	11,138,775	11,187,685

Included in the Group's fleet are 2 vessels (2012 – 4) held under finance leases with an aggregate carrying value of \$211.7 million (30 September 2012 – \$239.7 million / 31 December 2012 – \$238.9 million).

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4. **Vessels Under Construction**

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Cost			
At 1 January	447,321	313,839	313,839
Expenditure in period	261,948	307,741	411,576
Transfer to fleet (Note 3)	(405,142)	(131,744)	(278,094)
At 30 September / 31 December	<u>304,127</u>	<u>489,836</u>	<u>447,321</u>
Total deadweight tonnage (dwt)	<u>1,018,800</u>	<u>1,457,900</u>	<u>1,378,950</u>

Vessels delivered during the period comprised the following:

<u>Vessel Name</u>	<u>Vessel Type</u>	<u>Segment</u>	<u>DWT</u>	<u>Delivery Date</u>
NS Yakutia	Panamax bulk carrier	Other	74,559	22 January 2013
Anatoly Kolodkin	Aframax tanker (LR2)	Oil Product	118,316	23 January 2013
Aleksey Chirikov	Multifunctional ice breaking supply vessel	Offshore	4,191	19 April 2013
Viktor Bakaev	Aframax tanker (LR2)	Oil Product	118,175	20 May 2013
Sibur Voronezh	LPG carrier	Gas	22,780	29 July 2013
Sibur Tobol	LPG carrier	Gas	22,765	30 September 2013

Vessels under construction at 30 September 2013 comprised two Very Large Crude Carriers ("VLCC") and four LNG carriers scheduled for delivery between November 2013 and April 2015 at a total contracted cost to the Group of \$981.7 million. As at 30 September 2013, \$277.1 million of the contracted costs had been paid for.

5. **Joint Ventures**

Investments in joint ventures are analysed as follows:

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
At 1 January	67,799	38,544	38,544
Acquisition of joint venture	-	26,867	26,867
Additional cost of investment in joint venture	-	2,600	2,600
Share of profits in joint ventures	6,995	2,717	3,565
Share of joint ventures' other comprehensive income	18,598	(4,635)	(1,445)
Dividends received	(2,112)	(938)	(1,336)
(Release of) provision for share in net liabilities of joint ventures	(14,046)	2,687	(996)
At 30 September / 31 December	<u>77,234</u>	<u>67,842</u>	<u>67,799</u>

Loans due from joint ventures are analysed as follows:

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Interest free loans due from joint ventures	5,404	12,925	5,771
Floating rate loans due from joint ventures at Libor plus margins between 0.5%-3.0% per annum	74,731	63,165	68,549
	80,135	76,090	74,320
Less current portion (current assets)	(4,800)	(11,921)	(4,803)
Non-current portion (non-current assets)	<u>75,335</u>	<u>64,169</u>	<u>69,517</u>
Interest income during the period on loans due from joint ventures	860	683	910
Interest receivable at period end on loans due from joint ventures	<u>845</u>	<u>388</u>	<u>394</u>

6. **Finance Lease Receivables**

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
At 1 January	92,261	94,859	94,859
Finance lease interest receivable	10,239	10,596	14,203
Finance lease instalments received	(12,533)	(12,578)	(16,801)
At 30 September / 31 December	89,967	92,877	92,261
Less current finance lease receivables	(3,487)	(3,003)	(3,124)
Non-current finance lease receivables	<u>86,480</u>	<u>89,874</u>	<u>89,137</u>

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Notes to the Condensed Consolidated Financial Statements – 30 September 2013
(Continued)

7. Trade and Other Receivables	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Non-current assets			
Other receivables	9,339	9,821	9,621
Accrued income	-	5,111	-
	<u>9,339</u>	<u>14,932</u>	<u>9,621</u>
Current assets			
Amounts due from charterers	88,062	70,726	57,671
Allowance for credit losses	(4,904)	(4,359)	(5,435)
	83,158	66,367	52,236
Casualty and other claims	9,454	9,364	7,996
Agents' balances	14,506	13,816	14,271
Other receivables	38,953	37,237	25,053
Security deposits	27,700	38,152	33,103
Amounts due from lessee for finance leases	1,390	18,184	1,165
Receivables under High Court judgement award	2,870	2,000	9,321
Prepayments	14,072	16,700	18,023
Voyages in progress	9,804	16,950	18,674
Accrued income	13,289	41,787	33,814
	<u>215,196</u>	<u>260,557</u>	<u>213,656</u>
8. Cash and Bank Deposits	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Cash and bank deposits	284,604	264,791	308,453
Retention accounts	(19,758)	(16,534)	(16,246)
Security deposits held as counter security for claims	-	(10,400)	(10,400)
Restricted deposits	(10,100)	(14,158)	(10,000)
Cash and cash equivalents	<u>254,746</u>	<u>223,699</u>	<u>271,807</u>
9. Non-Current Assets Held for Sale	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
At 1 January	17,824	9,800	9,800
Expenditure in period	3,794	-	-
Transfer from fleet (Note 3)	84,548	5,635	17,824
Impairment provision	(5,910)	-	-
Disposals	(39,259)	(9,800)	(9,800)
At 30 September / 31 December	<u>60,997</u>	<u>5,635</u>	<u>17,824</u>
Current insured value (\$000)	<u>89,950</u>	<u>9,500</u>	<u>30,500</u>
Total deadweight tonnage (dwt)	<u>209,159</u>	<u>6,803</u>	<u>23,586</u>
<p>During the period ended 30 June 2013 and 30 September 2013 the Group had made a decision to sell ten oil product tankers including three chemical oil product tankers, three handysize product tankers and four MR product tankers. These vessels were actively marketed for sale at a price approximate to their market values. In June and July 2013 the Group signed agreements for the sale of one of the chemical oil product tankers, for the two handysize product tankers and for one MR product tanker. All of the vessels were delivered to their new owners in August 2013.</p> <p>As at 30 September 2013, non-current assets held for sale, comprised one asphalt chemical tanker, three chemical oil product tankers, one handysize product tanker and three MR product tankers. These vessels are presented separately in the statement of financial position (see also Note 20).</p>			
10. Trade and Other Payables	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Non-current liabilities			
Provision for share in net liabilities of joint ventures	21,246	39,941	33,455
Current liabilities			
Trade payables	92,442	63,108	53,357
Other payables	54,858	60,052	31,624
Provision for share in net liabilities of joint ventures	969	-	2,805
Dividends payable	2,029	1,956	1,893
Accrued liabilities	64,147	66,348	77,824
Deferred income	17,473	15,234	24,475
Accrued interest	27,541	25,569	15,019
	<u>259,459</u>	<u>232,267</u>	<u>206,997</u>

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11. Secured Bank Loans

The balances of the loans at the period end, net of direct issue costs, are summarised as follows:

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Repayable			
- within twelve months after the end of the reporting period	260,745	342,245	276,394
- between one to two years	381,200	611,870	259,817
- between two to three years	272,024	229,493	350,265
- between three to four years	250,574	210,309	249,887
- between four to five years	227,895	116,874	196,166
- more than five years	602,045	373,014	629,678
	1,994,483	1,883,805	1,962,207
Less current portion (current liabilities)	(260,745)	(342,245)	(276,394)
Long-term balance (non-current liabilities)	1,733,738	1,541,560	1,685,813

12. Finance Lease Liabilities

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Repayable			
- within twelve months after the end of the reporting period	8,699	19,838	19,547
- after one year but not more than five years	195,569	121,002	202,141
- more than five years	-	83,266	-
	204,268	224,106	221,688
Less current portion (current liabilities)	(8,699)	(19,838)	(19,547)
Long-term balance (non-current liabilities)	195,569	204,268	202,141

13. Derivative Financial Instruments

Derivative financial instruments are classified in the statement of financial position as follows:

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Non-current asset	8,201	-	108
Non-current liability	(47,509)	(77,520)	(71,808)
Current liability	(29,759)	(43,998)	(40,593)
	(69,067)	(121,518)	(112,293)

Derivative financial instruments are analysed as follows:

Hedging instruments

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
At 1 January	90,901	93,587	93,587
Recycled during the period and credited to the income statement	(15,208)	(14,798)	(18,629)
Fair value movement during the period shown in other comprehensive income	(14,656)	16,840	15,788
Fair value movement during the period (credited) / debited to the income statement	(1,681)	90	155
At 30 September / 31 December	59,356	95,719	90,901

Classified at fair value through profit or loss

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
At 1 January	21,392	34,871	34,871
Fair value movement during the period credited to the income statement	(11,681)	(9,072)	(13,479)
At 30 September / 31 December	9,711	25,799	21,392

14. Income Taxes

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Russian Federation profit tax current year	4,804	6,170	9,424
Overseas income tax expense	470	844	1,778
Income tax expense	5,274	7,014	11,202
Deferred tax	(2,716)	683	(2,909)
Total income tax expense	2,558	7,697	8,293

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(Continued)

14. **Income Taxes (Continued)**

The income tax expense for the period is reconciled to the expected tax expense based on the Russian Federation tax rate as follows:

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
(Loss) / profit before income taxes	(6,072)	50,144	41,194
Income tax using Russian Federation income tax rate of 20%	(1,214)	10,029	8,239
Effect of tax on profits taxable under income tax in other jurisdictions	15,135	10,559	16,641
Effect of tax on profits taxable in other jurisdictions under tonnage regimes	(12,613)	(16,194)	(22,376)
Tax effect of intercompany dividends	6	1,635	4,415
Tax effect of intercompany fees	2,072	2,839	2,491
Tax effect of non-deductible expenses and non-taxable income	(790)	113	(365)
Difference in tax rate of dividends received	-	(11)	(11)
Tax arising from the utilisation of prior and current period unused tax losses	-	(811)	30
Tax overprovision related to previous years	(38)	(462)	(771)
Income tax expense	<u>2,558</u>	<u>7,697</u>	<u>8,293</u>

15. **Dividends**

Dividends of Rouble 0.15 per share totalling Roubles 300.0 million, equivalent to \$9.1 million were declared on 13 August 2013 and paid on 21 August 2013 (2012 – 0.21 Rouble per share totalling Roubles 420.6 million, equivalent to \$12.8 million).

16. **Financial Risk Management**

(a) Categories of financial instruments

	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Financial assets			
Hedging instruments (Note 13)	8,201	-	108
Cash and bank deposits (Note 8)	284,604	264,791	308,453
Investments in associates	1,153	1,145	1,187
Investments in joint ventures (Note 5)	77,234	67,842	67,799
Available-for-sale investments	1,012	1,381	1,380
Loans and other receivables	277,057	315,825	256,184
Finance lease receivables (Note 6)	89,967	92,877	92,261
Total financial assets	<u>739,228</u>	<u>743,861</u>	<u>727,372</u>
Financial liabilities			
Hedging instruments (Note 13)	67,557	95,719	91,009
Financial liabilities at fair value through profit or loss (Note 13)	9,711	25,799	21,392
Secured bank loans (Note 11)	1,994,483	1,883,805	1,962,207
Finance lease liabilities (Note 12)	204,268	224,106	221,688
Other loans	797,967	797,469	797,593
Financial liabilities measured at amortised cost	249,875	255,492	211,209
Total financial liabilities	<u>3,323,861</u>	<u>3,282,390</u>	<u>3,305,098</u>

(b) Fair value of financial instruments

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Carrying Value			Fair Value		
	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000	30/09/2013 \$'000	30/09/2012 \$'000	31/12/2012 \$'000
Financial assets						
Derivative financial instruments	8,201	-	108	8,201	-	108
Cash and bank deposits	284,604	264,791	308,453	284,604	264,791	308,453
Investments	79,399	70,368	70,366	79,399	70,368	70,366
Loans and receivables	367,024	408,702	348,445	367,024	408,702	348,445
Total financial assets	<u>739,228</u>	<u>743,861</u>	<u>727,372</u>	<u>739,228</u>	<u>743,861</u>	<u>727,372</u>
Financial liabilities						
Derivative financial instruments	77,268	121,518	112,401	77,268	121,518	112,401
Financial liabilities measured at amortised cost	249,875	255,492	211,209	249,875	255,492	211,209
Borrowings at fixed interest rates	181,175	123,904	118,487	178,118	122,240	117,193
Borrowings at floating interest rates	1,813,308	1,759,901	1,843,720	1,750,495	1,664,593	1,892,568
Other loans	797,967	797,469	797,593	809,008	807,824	826,480
Finance lease liabilities	204,268	224,106	221,688	189,765	182,983	184,092
Total financial liabilities	<u>3,323,861</u>	<u>3,282,390</u>	<u>3,305,098</u>	<u>3,254,529</u>	<u>3,154,650</u>	<u>3,343,943</u>

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16. Financial Risk Management (Continued)

(b) Fair value of financial instruments (continued)

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices (other than quoted prices included within Level 1) from observable current market transactions and dealer quotes for similar instruments.

The fair values of derivative instruments, including interest rate swaps, are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements of financial instruments recognised in the statement of financial position

The following table provides an analysis of financial instruments as at period end that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

At 30 September 2013

	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Financial assets				
Derivative financial instruments in designated hedge accounting relationships	-	8,201	-	8,201
	-	8,201	-	8,201
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	9,711	-	9,711
Derivative financial instruments in designated hedge accounting relationships	-	67,557	-	67,557
	-	77,268	-	77,268

At 30 September 2012

	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Financial assets				
Derivative financial instruments in designated hedge accounting relationships	-	-	-	-
	-	-	-	-
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	25,799	-	25,799
Derivative financial instruments in designated hedge accounting relationships	-	95,719	-	95,719
	-	121,518	-	121,518

At 31 December 2012

	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Level 3</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Financial assets				
Derivative financial instruments in designated hedge accounting relationships	-	108	-	108
	-	108	-	108
Financial liabilities				
Derivative financial instruments classified at fair value through profit or loss	-	21,392	-	21,392
Derivative financial instruments in designated hedge accounting relationships	-	91,009	-	91,009
	-	112,401	-	112,401

There were no transfers between Level 1 and 2 during the periods shown above.

17. Contingent Assets and Liabilities

The Group obtained permission from the Court of Appeal in November 2011 to appeal some of the unsuccessful claims of the December 2010 judgment. That appeal has now been heard and the Group was unsuccessful. In relation to the Fiona unsuccessful appeal, the Group sought permission to appeal the Court of Appeal's decision to the Supreme Court but on 30 October 2013 that application was rejected. As a result of that decision it is possible that the Group will face further liabilities.

In relation to the NOUK claims some of the Defendants have been granted permission to appeal against the judgment the grounds of appeal being extended by the Court of Appeal on 23 October 2013. Pending the outcome of the appeal the recovery of approximately \$108.5 million plus pre-judgment interest of \$45.4 million is stayed. It is anticipated that the Defendants' appeal will be heard by the Court of Appeal in London in June 2014. In addition, a settlement agreement has been reached with one of the other defendants on terms that are confidential between the parties and it is probable that further assets will be recognised in the future.

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18. Related Party Transactions

The Group enters into related party transactions with other Russian State owned and State controlled organisations in the normal course of business. There were no new or material changes to the related party transactions presented in the audited consolidated financial statements of the Group for the period ended 31 December 2012.

19. Comparatives

During the period the Group adopted IFRS 11 “Joint Arrangements” and IAS 19 revised (“Employee Benefits”), effective for annual periods beginning on or after 1 January 2013 which resulted in a change in the accounting policies of the Group in respect of interests in joint arrangements and retirement benefit obligations respectively. These changes have been accounted for in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

IFRS 11 replaced IAS 31 “Investments in Joint Ventures”. The new standard removed the option to proportionately recognise the assets and liabilities of jointly controlled entities and equity accounting is now the only accounting treatment for joint ventures. Joint operations can still be proportionately consolidated if the parties have rights to the assets and obligations for the liabilities relating to the arrangement.

The amendments made to IAS 19 removed the accounting options available under the previous standard. The actuarial gains and losses are now required to be recognised in other comprehensive income (OCI) and excluded permanently from profit or loss. Unvested past service costs can no longer be deferred and recognised over the future vesting period. There are also a number of other changes, including modification to the timing of recognition of termination benefits and disclosures of defined benefit plans.

The effect of the adoption of the new and revised standards on the comparative figures is presented below.

Income Statement

	As previously reported 01/01/2012- 30/09/2012 \$'000	Restatement 01/01/2012- 30/09/2012 \$'000	Restated 01/01/2012- 30/09/2012 \$'000	As previously reported 01/01/2012- 31/12/2012 \$'000	Restatement 01/01/2012- 31/12/2012 \$'000	Restated 01/01/2012- 31/12/2012 \$'000
Freight and Hire revenue	1,114,277	(67,833)	1,046,444	1,443,362	(90,379)	1,352,983
Profit on vessels' trading	440,765	(38,638)	402,127	558,420	(52,208)	506,212
Profit from vessels' operations	130,239	(20,839)	109,400	142,206	(27,902)	114,304
Operating profit	139,827	(17,047)	122,780	152,585	(23,257)	129,328
Profit before income taxes	50,395	(251)	50,144	41,946	(752)	41,194
Profit for the period	42,319	128	42,447	33,183	(282)	32,901
Earnings per share						
Basic earnings per share for the period attributable to equity holders of the parent	\$0.022	-	\$0.022	\$0.017	(\$0.001)	\$0.016

Statement of Comprehensive Income

	As previously reported 01/01/2012- 30/09/2012 \$'000	Restatement 01/01/2012- 30/09/2012 \$'000	Restated 01/01/2012- 30/09/2012 \$'000	As previously reported 01/01/2012- 31/12/2012 \$'000	Restatement 01/01/2012- 31/12/2012 \$'000	Restated 01/01/2012- 31/12/2012 \$'000
Other comprehensive income for the period, net of tax	(2,049)	301	(1,748)	6,980	604	7,584
Total comprehensive income for the period	40,270	429	40,699	40,163	322	40,485

Statement of Financial Position

	As previously reported 30/09/2012 \$'000	Restatement 30/09/2012 \$'000	Restated 30/09/2012 \$'000	As previously reported 31/12/2012 \$'000	Restatement 31/12/2012 \$'000	Restated 31/12/2012 \$'000
Assets						
Total non-current assets	6,193,739	(391,780)	5,801,959	6,227,612	(389,249)	5,838,363
Total current assets	684,608	(57,998)	626,610	663,344	(42,046)	621,298
Total assets	6,878,347	(449,778)	6,428,569	6,890,956	(431,295)	6,459,661
Equity and liabilities						
Capital and reserves						
Total equity	3,110,451	(1,182)	3,109,269	3,110,344	(1,289)	3,109,055
Non-current liabilities						
Total non-current liabilities	3,063,827	(387,800)	2,676,027	3,190,372	(386,617)	2,803,755
Current liabilities						
Total current liabilities	704,069	(60,796)	643,273	590,240	(43,389)	546,851
Total equity and liabilities	6,878,347	(449,778)	6,428,569	6,890,956	(431,295)	6,459,661

OAQ Sovcomflot**Notes to the Condensed Consolidated Financial Statements – 30 September 2013
(Continued)****20. Events After the Reporting Period**

On 29 October 2013 the Group signed an agreement for the sale of one MR product tanker classified as held for sale as at 30 September 2013 (see Note 9). The vessel was delivered to her new owner on 15 November 2013.

21. Date of Issue

These condensed consolidated financial statements were issued on 15 November 2013.